

Message Text

UNCLASSIFIED

PAGE 01 ROME 11528 01 OF 02 111515Z

50

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 EURE-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-01 INR-07 IO-10 NEA-10 NSAE-00

OPIC-06 SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01 OMB-01

AGR-10 XMB-04 STR-04 HEW-06 DODE-00 PA-02 USIA-15

PRS-01 OES-05 ERDA-07 FEA-01 NRC-07 USPS-01 DOTE-00

CG-00 FAA-00 TAR-01 /143 W
----- 027573

P R 111410Z AUG 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 2529

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY TOKYO

UNCLAS SECTION 1 OF 2 ROME 11528

PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EAGR, EAIR, ECON, EFIN, ELTN, ETRD, EWWT, IT

SUBJ: CABINET APPROVES ANTI-RECESSION PACKAGE

REF : ROME 11037

1. /SUMMARY/. ON AUGUST 8 ITALIAN CABINET APPROVED ANTI-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ROME 11528 01 OF 02 111515Z

RECESSION PACKAGE OF MEASURES AUTHORIZING EXPENDITURES IN

RANGE 3,500-4,000 BILLION LIRE (\$5.3 TO 6.0 BILLION AT \$1.00 EQUALS 665 LIRE) TO BE USED MAINLY DURING REST OF 1975 AND IN 1976 TO ASSIST EXPORTS, INDUSTRY, AGRICULTURE, HOUSING, PUBLIC WORKS, TRANSPORT, HOSPITALS AND SOUTHERN DEVELOPMENT. MAIN ADDITIONS TO PACKAGE SINCE REFTEL ARE ASSUMPTION BY GOI PART OF COST OF FAMILY ALLOWANCE CONTRIBUTIONS NOW PAID BY BUSINESS, INTEREST RATE SUBSIDY ALLOCATION FOR EXPORTS, REDUCTION IN VALUE-ADDED TAX ON FERTILIZERS, APPROPRIATION FOR NUCLEAR ENERGY RESEARCH AND VARIOUS ADDITIONS TO PUBLIC WORKS FINANCING. SELECTION OF ITEMS IN PACKAGE WAS DICTATED BY DESIRE FOR IMMEDIATE IMPACT AND BY CONSTRAINTS IMPOSED BY BALANCE OF PAYMENTS AND BUDGET SITUATIONS. /END SUMMARY/.

2. THOSE MEASURES IN PACKAGE REQUIRING PARLIAMENTARY ACTION ARE EXPECTED TO BE PRESENTED TO CHAMBER OF DEPUTIES AFTER AUGUST 15 FERRAGOSTO HOLIDAY. DEPUTY PRIME MINISTER LA MALFA INDICATED THAT HE HOPED THAT MEASURES COULD ALL BE PUT INTO EFFECT BY AT LEAST END-1975. TWO MEASURES FOR EXPORTS AND RESIDENTIAL HOUSING ARE CONTAINED IN TWO DRAFT DECREE LAWS, WHICH WOULD HAVE IMMEDIATE EFFECT WHEN PROMULGATED, BUT WOULD REQUIRE RATIFICATION BY PARLIAMENT WITHIN SUCCEEDING SIXTY-DAY PERIOD. FOLLOWING IS LIST OF MEASURES AS APPROVED BY CABINET.

3. /EXPORT CREDIT/ GUARANTEE CEILING FOR 1975 WOULD BE RAISED FROM 1,400 BILLION LIRE TO 2,500 BILLION LIRE; 1976 CEILING WOULD ALSO BE SET AT 2,500 BILLION LIRE; ADDITIONAL GUARANTEES OUTSIDE NORMAL CEILINGS WOULD BE PERMITTED AMOUNTING TO ABOUT 1,000 BILLION LIRE TO COVER 1974 APPLICATIONS STILL PENDING; MEDIOCREDITO ENDOWMENT FUND WOULD BE INCREASED BY 300 BILLION LIRE OVER THREE YEARS; ADDITIONAL INTEREST RATE SUBSIDY FUNDS OF 50 BILLION LIRE WOULD BE PROVIDED BY GOVERNMENT; AND NEED FOR ADMINISTRATIVE MEASURES TO FACILITATE SHORT-TERM EXPORT CREDITS IS BEING REVIEWED.

4. /CONSTRUCTION/ IN FORM OF POPULAR HOUSING IN LARGE CITIES WOULD BENEFIT FROM 600 BILLION LIRE IN NEW FINANCING; PUBLICLY ASSISTED HOUSING WOULD BE ALLOCATED AN ADDITIONAL 40 BILLION LIRE, OF WHICH 35 BILLION WOULD BE FOR INTEREST RATE SUBSIDIES, PLUS 5 BILLION SPECIFICALLY EARMARKED FOR INTEREST RATE

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 ROME 11528 01 OF 02 111515Z

SUBSIDIES FOR COOPERATING HOUSING. ALSO, FUND OF 115 BILLION LIRE WOULD BE CREATED TO FIANCE COMPLETION OF VARIOUS STATE-SUPPORTED CONSTRUCTION PROJECTS, SUCH AS BUILDINGS ON STATE PROPERTY, WATERWORKS, UNIVERSITY CLINICS, SCIENTIFIC INSTITUTES, ETC. HOSPITAL CONSTRUCTION WOULD BENEFIT FROM 600 BILLION LIRE FUND OVER THREE-YEAR PERIOD 1975-1977 TO BE ESTABLISHED WITH POSTAL SAVINGS SYSTEM.

5. /TRANSPORTATION/ WOULD RECEIVE ASSISTANCE AS FOLLOWS:
(A) 50 BILLION LIRE MAINLY FOR DEVELOPMENT OF PORTS OF GENOA,
TRIESTE AND NAPLES; (B) 30 BILLION FOR INLAND WATERWAYS;
(C) 300 BILLION IN NEW BORROWING AUTHORIZED TO ANAS (AZIENDE
NAZIONALE AUTONOMA DELLE STRADE STATALI) FOR HIGHWAY CONSTRU-
CTION; (D) 11 BILLION LIRE FOR WORK ON ROME AND MILAN SUBWAY
SYSTEMS; (E) 161 BILLION FOR AIRPORT DEVELOPMENT, OF WHICH
126 BILLION LIRE FOR CONSTRUCTION AND PURCHASE OF EQUIPMENT
FOR CIVIL AIRFIELDS, 25 BILLION LIRE FOR FLIGHT EQUIPMENT
FOR MINISTRY OF DEFENSE AND 10 BILLION LIRE FOR FIUMICINO
AIRPORT AT ROME; (F) 30 BILLION LIRE PER YEAR TO BE PLACED
IN FUND WITH POSTAL SAVINGS SYSTEM TO SUBSIDIZE UP TO 30
PERCENT OF COST OF BUS TRANSPORT IN THE REGIONS; AND (G)
20 BILLION LIRE FOR SHIPBUILDING PROJECTS.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 ROME 11528 02 OF 02 111525Z

50

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 EURE-00 AID-05 CEA-01 CIAE-00

COME-00 EB-07 FRB-01 INR-07 IO-10 NEA-10 NSAE-00

OPIC-06 SP-02 TRSE-00 CIEP-02 LAB-04 SIL-01 OMB-01

AGR-10 XMB-04 STR-04 HEW-06 DODE-00 PA-02 USIA-15

PRS-01 OES-05 ERDA-07 FEA-01 NRC-07 USPS-01 DOTE-00

CG-00 FAA-00 TAR-01 /143 W

----- 027675

P R 111410Z AUG 75

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 2530

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY PARIS

USMISSION OECD PARIS
AMEMBASSY TOKYO

UNCLAS SECTION 2 OF 2 ROME 11528

PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EAGR, EAIR, ECON, EFIN, ELTN, ETRD, EWWT, IT
SUBJ: CABINET APPROVES ANTI-RECESSION PACKAGE

REF : ROME 11037

6. /INDUSTRY/ WILL BE ASSISTED THROUGH 90 BILLION LIRE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ROME 11528 02 OF 02 111525Z

ALLOCATION, OF WHICH 68 BILLION LIRE WOULD BE TO FINANCE
SUBSIDIZED CREDIT TO SMALL AND MEDIUM INDUSTRY, 22 BILLION
LIRE TO ASSIST BUSINESS IN PURCHASE OF CAPITAL EQUIPMENT WHICH
MAY THEN BE USED AS GUARANTEE FOR LOANS TO FINANCE SUCH
PURCHASES. ALSO, GOI WOULD ASSUME FROM BUSINESS UNTIL
SEPTEMBER 30, 1976 COST OF FAMILY ALLOWANCES PAID TO FEMALE
WORKERS IN INDUSTRY AND HANDICRAFTS. SAVINGS TO BUSINESS
WOULD BE ABOUT 300 BILLION LIRE.

7. /AGRICULTURE/ WOULD BENEFIT FROM FOLLOWING ALLOCATIONS:
(A) 60 BILLION LIRE FOR PROJECTS PARTIALLY FINANCED BY EC
AGRICULTURAL FUND (FEOGA) WITH CAPITAL CONTRIBUTIONS FUND
TO RECEIVE 54 BILLION AND INTEREST SUBSIDY FUND 6 BILLION OF
TOTAL; (B) REVOLVING FUND FOR AGRICULTURAL MECHANIZATION
WOULD RECEIVE 100 BILLION APPROPRIATION; (C) LAND RECLAMATION
PROGRAM WOULD BENEFIT FROM ADDITIONAL 30 BILLION LIRE IN
FINANCING; (D) NEW FUND OF 260 BILLION LIRE WOULD BE CREATED
TO FINANCE IRRIGATION PROJECTS; (E) FUND FOR LIVESTOCK RAISING
WOULD RECEIVE 200 BILLION LIRE ALLOCATION; AND (F) VALUE-
ADDED TAX RATE ON IMPORTS AND SALES OF FERTILIZERS WOULD BE
REDUCED FROM 6 PERCENT TO 3 PERCENT UNTIL JUNE 30, 1976.

8. /SOUTHERN DEVELOPMENT/ FIND (CASSA PER IL MEZZOGIORNO)
WOULD RECEIVE 1,000 BILLION LIRE APPROPRIATION IN ANTICIPATION
OF MULTI-YEAR REFINANCING PROJECT NOT YET APPROVED.

9. /REGIONAL PUBLIC WORKS/ WOULD BE FINANCED BY NEW FUND OF
150 BILLION LIRE TO BE USED TO COMPLETE PROJECTS NOW UNDER
WAY. ADDITIONAL ALLOCATION OF 35 BILLION LIRE WAS APPROVED
TO COVER COST INCREASES ON SUCH PROJECTS.

10. /NUCLEAR ENERGY/ 440 BILLION LIRE WILL BE MADE AVAILABLE
OVER FIVE-YEAR PERIOD TO CNEN (COMITATO NAZIONALE PER L'ENERGIA
NUCLEARE) FOR NUCLEAR ENERGY.

11. /COMMENT/: AS EXPLAINED IN REFTEL AND STRESSED ONCE AGAIN BY MINISTERS LA MALFA AND COLOMBO, ANTI-RECESSION PACKAGE WAS PUT TOGETHER BEARING IN MIND TWO PARTICULAR CRITERIA: (A) THAT THE PROJECTS TO BE FINANCED BY ALREADY UNDER WAY OR IN SUCH A STATE OF READINESS AS TO PERMIT QUICK IMPACT ON LEVEL OF ECONOMIC ACTIVITY AND EMPLOYMENT AND (B) UNCLASSIFIED

UNCLASSIFIED

PAGE 03 ROME 11528 02 OF 02 111525Z

THAT THEY MINIMIZE IMPACT ON DELICATE BALANCE OF PAYMENTS AND ON ALREADY LARGE BUDGET DEFICIT. PACKAGE IS MAINLY BUSINESS CUCLE ORIENTED AND NOT DESIGNED TO DEAL WITH LONGER TERM REFORMS OF ITALY'S ECONOMIC AND SOCIAL STRUCTURE.

12. SIZE OF ANTI-RECESSION PACKAGE (ABOUT 3.0-3.5 PERCENT OF ESTIMATED 1975 GDP) IS IMPRESSIVE AND PRESENTS SHARP CONTRAST TO TAX INCREASE PACKAGE OF ABOUT 2,500 BILLION LIRE RATIFIED BY PARLIAMENT JUST ONE YEAR AGO WHEN COMBATTING INFLATION AND REDUCING BALANCE OF PAYMENTS DEFICITS WERE NUMBER ONE ITALIAN ECONOMIC PRIORITIES. GOI HAS DONE WELL TO CHOOSE PROJECTS WHICH ARE IN RELATIVELY ADVANCED STAGE OF PREPARATION, IN LIGHT OF CHRONIC PROBLEMS IN IMPLEMENTING INVESTMENT PROJECTS IN PUBLIC-FINANCED SECTOR. (A LARGE PART OF THESE FUNDS WILL BE ALLOCATED TO THE REGIONS TO FINANCE EXPENDITURES IN AREAS FOR WHICH THEY ARE NOW RESPONSIBLE. THIS WILL PROVIDE A USEFUL TEST OF WHETHER LOCAL GOVERNMENTS ARE ABLE TO OVERCOME BUREAUCRATIC DELAYS WHICH HAVE PLAGUED CENTRAL GOVERNMENT IN PAST YEARS.) GOI ACTION ALSO SHOWS THAT GOVERNMENT IS NOW LESS INCLINED TO DEPEND ON REVIVAL OF ECONOMIC ACTIVITY ABROAD TO STIMULATE DOMESTIC ECONOMIC ACTIVITY THROUGH EXPORT-LED GROWTH THAN WAS THE CASE HERETOFORE.VOLPE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CABINET, ECONOMIC PROGRAMS, ECONOMIC DEPRESSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 AUG 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ROME11528
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750276-1002
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750864/aaaacecs.tel
Line Count: 258
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 ROME 11037
Review Action: RELEASED, APPROVED
Review Authority: hartledg
Review Comment: n/a
Review Content Flags:
Review Date: 02 JAN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 JAN 2003 by ReddocGW>; APPROVED <10 FEB 2004 by hartledg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CABINET APPROVES ANTI-RECESSION PACKAGE
TAGS: EAGR, EAIR, ECON, EFIN, ELTN, ETRD, EWWT, IT
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006